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Report of the Secretary-General on the United Nations Interim Administration Mission in Kosovo

I. Introduction

1. The present report is submitted pursuant to Security Council resolution 1244 (1999) of 10 June 1999, by which the Council decided to establish the United Nations Interim Administration Mission in Kosovo (UNMIK) and requested the Secretary-General to report at regular intervals on the implementation of the mandate. It covers the activities of UNMIK and developments in Kosovo (Serbia), from 1 November 2006 to 19 February 2007.

II. Political assessment

2. My Special Envoy for the Future Status Process for Kosovo, Martti Ahtisaari, and his team continued consultations with Belgrade and Prishtinë/Priština as well as international actors on elements of a comprehensive settlement proposal for Kosovo's future status. My Special Envoy submitted a draft comprehensive proposal for the Kosovo status settlement ("Settlement Proposal") to the parties on 2 February. He invited the parties to engage in a consultative process on the Settlement Proposal starting from the first week of February.

Political situation

3. The future status of Kosovo has remained the principal political issue in Kosovo over the reporting period. The announcement by my Special Envoy on 10 November that his presentation of the Settlement Proposal to the parties would be delayed until after 21 January to allow for the holding of parliamentary elections in Serbia was received with deep disappointment by Kosovo Albanians. The reaction among the population was generally restrained, with the exception of a demonstration by the Kosovo Albanian self-determination movement Vetevendosje on 28 November, Albanian Flag Day, in which both the Government and UNMIK headquarters in Prishtinë/Priština were attacked by approximately 4,000 demonstrators throwing projectiles.

4. The Settlement Proposal was generally well received on 2 February by Kosovo Albanian leaders and the public, though a number of concerns were voiced on its elements such as the proposed disbandment of the Kosovo Protection Corps (KPC) and decentralization. Radical Kosovo Albanian elements and Kosovo Serbs both

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rejected the Settlement Proposal, though for opposite reasons. Vetevendosje again held a protest against the plan, the Kosovo negotiating team, UNMIK and the future envisaged International Civilian Office on 10 February, the intent of which was clearly violent. Tragically, two protesters died from rubber-bullet wounds to the head. The Minister of Internal Affairs of the Kosovo Provisional Institutions of Self-Government and the UNMIK Police Commissioner resigned shortly afterwards, while the leader of the Vetevendosje movement's remains in pre-trial detention. An inquiry into the deaths and an investigation into Vetevendosje are ongoing. While there is little mainstream support for the actions of this movement, the continued lack of clarity on Kosovo's status, which hampers social, economic and political progress, creates a fragile environment which was exploited by radical elements.

5. The Kosovo negotiating team, which comprises the President, the President of the Assembly, the Prime Minister of Kosovo and the leaders of the two main governing parties and two main opposition parties, maintained unity and intensified activity in explaining their proposals and role in the future status process. They reached out to all of Kosovo's communities and held a number of town hall meetings at which the effects of decentralization measures envisaged in the Settlement Proposal for Kosovo's municipalities and communities were debated. These efforts are welcome, but need to be increased as the future status process moves forward. While the negotiating team remained unified, pressures on members mounted from some radical elements who increasingly criticized the team for taking part in the future status process at all, especially after the delay in connection with the Serbian parliamentary elections.

6. Political developments within a number of Kosovo's political parties were also a source of pressure on the unity of the negotiating team. This was particularly true of the Democratic League of Kosovo (LDK), which held a leadership contest during the reporting period. The President of Kosovo, Fatmir Sejdiu, emerged victorious from party elections held on 9 December 2006 and suspended his role as party leader in order to retain his post as President, as required by the Kosovo Constitutional Framework. The losing candidate, the former President of the Assembly, Nexhat Daci, who won a significant proportion of votes, started preparations to form his own party. The split within LDK has so far been most evident at the municipal level. The other main Government coalition partner, the Alliance for the Future of Kosovo (AAK), also faces a challenge as its party leader, Ramush Haradinaj, is due to be tried at the International Tribunal for the Former Yugoslavia in March on charges of war crimes. There have been isolated security incidents which may reflect tensions within and between political parties. An unidentified explosive device went off inside the LDK branch office in Gjilan/Gnjilane on 28 January. On 20 December 2006, UNMIK police and the Kosovo Force (KFOR) found and confiscated a large cache of weapons in Prishtinë/Priština region; three AAK members were arrested in connection with the case.

7. Kosovo Serbs have continued to take very little part in the political institutions in Kosovo. Against a background of active discouragement by Belgrade, Kosovo Serbs in the Assembly and the Government have not taken up their seats and the only Kosovo Serb Minister in the Government, the Minister for Communities and Returns, was forced to resign on 27 November at the recommendation of the Prime Minister after an audit uncovered evidence of financial irregularities and mismanagement. A Kosovo Serb is currently acting Minister. General engagement

of the Kosovo Serb community in and with the Provisional Institutions at both central and local level remains very limited. The influence of the Government of Serbia, through the Serbian Coordination Centre for Kosovo, is particularly strong in the north of Kosovo, owing to its control of wages and employment in parallel structures. To a large extent, reaction by Kosovo Serbs to the status proposal depends on the reaction of Belgrade. The political leadership of the three Kosovo Serb municipalities in the north of Kosovo continued to boycott most contacts with Prishtinë/Priština. After cutting off political links, they are now fully dependant on Serbian state financial support, with minor exceptions for Kosovo Albanian staff and projects, funded by the Provisional Institutions.

Security

8. With the exception of the violent demonstration on 10 February led by Vetevendosje and the explosion in central Prishtinë/Priština on 19 February that damaged three United Nations vehicles, the security situation remained generally calm. There was a relatively small number of potentially destabilizing incidents. General crime levels decreased during 2006 in comparison to 2005. In specific categories, crimes against persons dropped 11 per cent and weapons-related crimes by 10 per cent. Murders fell by 15 per cent. The only area of significant increase was in crimes against property, which rose by 5 per cent. Potentially ethnically motivated incidents also dropped significantly, by 70 per cent.

9. Vetevendosje and their linkages to other groupings such as the War Veterans' Association remain a cause for concern. Radical groups are likely to continue to exploit any public dissatisfaction ensuing from my Special Envoy's proposals and the future status process, including delays in the process. Other fringe elements may seek to use the charged atmosphere of the future status process to provoke inter-ethnic violence for their own ends. There are strong concerns about the possibility of sudden and confrontational action by radical political leaders north of the Ibar River and the reactions that this may provoke in the rest of Kosovo. Some Kosovo Serb leaders have made statements implying the possibility of unilateral initiatives in reaction to the decision on Kosovo's future status.

Standards and European integration

10. During the reporting period, the Government has continued to make progress on standards implementation. The basic reference document on standards implementation, the 2004 Kosovo Standards Implementation Plan, has been replaced by the European Partnership Action Plan, approved by the Government in August 2006. The 109 standards goals contained in the original Implementation Plan are all incorporated into the Action Plan, but the actions agreed in 2004 have been updated and revised to reflect current challenges and to respond to both the standards goals and the European partnership priorities. As a result, the Agency for European Integration is now the main coordination mechanism within the Provisional Institutions on standards, and the European Partnership Action Plan is the main guiding tool for Kosovo's European integration process. It is expected that the European integration process will remain a Kosovo Government priority for the foreseeable future, which will ensure that the principles underlying the standards programme will be preserved and promoted beyond the life of UNMIK.

Decentralization

11. Decentralization continues to be a contentious issue in the context of the status process. Although the Kosovo negotiating team has improved outreach to municipalities to explain their proposals for new municipalities, it has faced criticism from those living in affected areas and others who perceive decentralization as a means of establishing the territorial control of Belgrade over Kosovo Serb-majority areas. Decentralization is not only problematic politically. Practical difficulties have also become evident in the establishment of Pilot Municipal Units foreseen at present, including the recruitment and training of qualified staff and obtaining necessary funding. In a recent assessment of their performance, the Government decided that, owing to challenges faced by the Units in the exercise of additional competencies, their conversion to fully fledged municipalities should be postponed until July 2007.

12. In addition, the establishment of new municipalities should be synchronized with the holding of new municipal elections, which were postponed because of the status process. The Government is carefully monitoring the performance of Pilot Municipal Units in the exercise of newly acquired competencies with a view to preparing them for additional transfer of competencies. The difficulties encountered by the Government and host municipalities in establishing the Units indicate that further decentralization, such as that proposed in the Settlement Proposal, will require considerable time and resources, as well as much international support, to be implemented.

Cultural and religious heritage

13. There were a small number of incidents, mostly theft-related, against Serbian Orthodox Churches during the reporting period. The drop in incidents corresponds with increased Kosovo Police Service (KPS) patrols at Serbian Orthodox cultural heritage sites. In January, UNMIK had to exert pressure on the Provisional Institutions to remove illegal constructions in the vicinity of the Serbian Orthodox Visoki Deçan/Decani monastery. Other issues of concern with regard to that monastery are the plans by the Provisional Institutions to construct an interregional road to Montenegro, which is to bisect the special zoning area established to protect this World Heritage Site. On 6 November 2006, my Special Representative, Joachim Rücker, promulgated the Law on Cultural Heritage, which allows for potential amendments to harmonize the law with future status arrangements.

14. The reconstruction of Serbian Orthodox churches damaged or destroyed during the violence of March 2004 has moved forward. Extensive interventions were carried out on seven sites under the direction of the Reconstruction Implementation Commission, chaired by the Council of Europe, from August to December 2006. The Commission's workplan for 2007 envisions further works on these and up to 13 additional sites. Following the memorandum of understanding signed by the United Nations Educational, Scientific and Cultural Organization (UNESCO) and UNMIK on 11 September 2006, which provided a framework for the implementation of projects arising from pledges made at the 2005 UNESCO donors conference, a further memorandum of understanding to allow for implementation of a project using the $1 million contribution from the United States Government was signed on 29 January 2007. UNESCO is expected to begin work soon on the seven

sites selected for this project, which include both Ottoman and Orthodox monuments.

Dialogue

15. Two of the four working groups for dialogue on technical issues between Prishtinë/Priština and Belgrade remained dormant during the reporting period. However, the Missing Persons Working Group held two closed meetings, on 7 December 2006 and 7 February 2007, while the Sub-Working Group on Forensics held regular conference calls every four to six weeks. The Technical Sub-Working Group of the Returns Working Group held its first meeting on 12 December 2006 in Prishtinë/Priština. A deadlock over starkly different interpretations of the scope of the Protocol on Return signed earlier that year was overcome and the outcome of the discussions was positive. Cooperation with the Belgrade authorities on cultural matters covered arts exchange and the return of documentation and archaeology.

Returns

16. The primary factors affecting returns, which remain low, continue to be lack of economic opportunities, uncertainty about the future status of Kosovo, and, to a much lesser degree than in the past, security. The funding shortfall of €15.4 million also negatively affects the return rate. Municipalities are increasingly demonstrating the capacity to directly implement components of returns projects, making them more sustainable and less expensive. After the change of leadership, the Ministry of Communities and Returns needs to continue restructuring, paying particular attention to implementing the recommendations of the audits performed in 2006. The funding shortfall affects 18 approved return projects at present, all of which have been either re-evaluated with stakeholders or are in the process of re-evaluation to bring down projected costs. Cooperation on returns between the Provisional Institutions and the Government of Serbia continued at the local level, particularly on matters of humanitarian concern.

17. In 2006, the overall number of persons involuntarily repatriated from host countries reached 3,598. Repatriation functions are in the process of being transferred to the Provisional Institutions. Another 90,000 Kosovans are subject to deportation and return to Kosovo, adding urgency to the Government/UNMIK plan to address reintegration needs.

Economy

18. A number of significant economic developments occurred during the reporting period. The first draft of the Kosovo Development Strategy and Plan was completed at the end of December 2006, though much work remains to be done on prioritizing its proposed policy measures and formulating concrete, cost-specific projects. Following its completion in the first half of 2007, the Kosovo Development Strategy and Plan is expected to become the strategic framework for public policy priorities and government and donor spending. Its ultimate objective is to improve the impact of public policies and the effectiveness of public spending.

19. On 19 December 2006, UNMIK on behalf of Kosovo signed the enlarged Central Europe Free Trade Area Agreement, which constitutes a single free trade agreement among its parties, namely, Albania, Bosnia and Herzegovina, Croatia, Moldova, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and

UNMIK on behalf of Kosovo. The Agreement will liberalize and simplify trade relations among the parties, giving them access to a large market of consumers.

20. Two significant projects in the energy and telecommunications sectors have moved forward. On 4 December, the Ministry of Energy and Mining announced that 10 companies had expressed interest in the Energy Sector Development Project, which includes the construction of a new electricity-generating plant in Kosovo. Four of these fulfilled the eligibility criteria, and will be invited to submit detailed proposals. The World Bank Lignite Power Technical Assistance grant for $8.5 million that will support the Project was signed on 13 December 2006. Secondly, the deadline for submitting bids to the tender for the second mobile telephone operator for Kosovo, which had been launched on 3 November 2006, was 17 January 2007. Five bids were presented, including from local companies acting in consortium with international partners. The evaluation of the bids is currently under way.

Future international arrangements and transition

21. Preparations and planning for the handover of UNMIK responsibilities at the end of its mandate following a political settlement intensified during the reporting period. These preparations, which have remained a top priority for UNMIK and its international and local partners, are being carried out by means of five technical working groups in the areas of rule of law, governance, civil administration, legislation, economy and property. Preparatory work has also started on a post-UNMIK constitutional arrangement and elections although without prejudice to an eventual political settlement. There has been good progress at both the political and technical level in preparing for a transition. My Special Representative has continued to chair the local Steering Group on future international arrangements, which has included representatives from the Office of the Special Envoy of the Secretary-General for the future status process for Kosovo, the preparation teams of the future International Civilian Office and the future European Security and Defence Policy mission. Current planning is geared to preparing the ground for a rapid and robust build-up of the future international authorities which will ensure that no gaps arise in international political authority and capacity during the transition period. In addition, the Office of the Special Envoy has held a number of meetings in Vienna with representatives from UNMIK, the preparation team of the future International Civilian Office, and the future European Security and Defence Policy mission to brief them in detail on the Office's proposals and to discuss necessary implementation steps.

III. Observations

22. During the reporting period and over the course of the future status process as a whole, Kosovo's institutions have demonstrated a sustained commitment to standards implementation. While overall progress has been mixed, and there remains scope for improvement, I welcome this commitment and the fact that it has led to concrete steps forward in many areas of standards, including in areas of vital importance to the minority communities of Kosovo. I call upon Kosovo's leaders and institutions to reaffirm and continue to act upon this commitment.

23. At the same time, it is important to acknowledge that further progress on standards implementation, and the sustainability and consolidation of what has been achieved thus far, will require both a sustained momentum in the future status process and concrete prospects for a conclusion of the process.

24. After almost eight years of United Nations interim administration, Kosovo and its people need clarity on their future. The Security Council and key Member States are called upon to meet this challenge. Moving towards a timely conclusion of the Kosovo future status political process and a sustainable solution to the future status of Kosovo should be a priority for the international community as a whole.

25. Such a solution must entail a Kosovo that is stable and in which all communities can coexist in peace. The use of violence by extremist groups in Kosovo to achieve political objectives cannot be tolerated and should be strongly condemned. I note with concern the violent demonstrations on 10 February in Prishtinë/Priština that led to the tragic loss of life, and I call upon the organizers to exercise restraint and responsibility in peacefully furthering their political aims.

26. My Special Representative and his staff will continue to focus on creating an enabling environment for the future status process, both by working closely with the local leaders in managing the overall political context in Kosovo and by bringing forward preparations for a transition to future international arrangements following settlement of the future status of Kosovo. It is crucial that in doing so my Special Representative continues to receive the backing and support of the Security Council, the Contact Group, the European Union and the wider international community.

27. UNMIK will need to remain adequately resourced until the completion of its mandate, and I ask that Member States ensure that all appropriate measures are put in place to ensure that UNMIK has the necessary resources and staff to fulfil the mandate entrusted to it by the Security Council.

28. My appreciation goes to my Special Representative, Joachim Rücker, and to the staff of UNMIK for their commitment to the Organization. Their dedication and steadfastness in carrying out their tasks deserve special mention at this critical and difficult stage for UNMIK. I would also like to extend my appreciation to KFOR, our partners within UNMIK — the European Union and the Organization for Security and Cooperation in Europe — and to the United Nations agencies, funds and programmes and other contributors for their commitment and support.

Annex I

Technical assessment of progress in implementation of the standards for Kosovo

Prepared by the Special Representative of the Secretary-General for Kosovo, 6 February 2007

1. The status settlement process dominated the reporting period. Nevertheless, progress continued to be achieved in the implementation of the standards and the transition from the Kosovo Standards Implementation Plan to the European Partnership Action Plan is well under way.

2. Implementation also continued of the remaining items in the programme of 13 priority points presented to the Kosovo Government by the Contact Group in June 2006.

The 13 priorities for standards implementation

3. **Priority 1.** The Laws on Religious Freedom, Languages, and Cultural Heritage were promulgated on 24 August, 20 October and 6 November 2006, respectively.

4. **Priority 2.** The reconstruction under the leadership of the Kosovo Protection Corps (KPC) of properties damaged in March 2004 in Svinjarë/Svinjare was declared complete by the UNMIK/Provisional Institutions of Self-Government Decision-Making Board on 15 December. An UNMIK/Provisional Institutions/KPC engineering commission declared all properties fit for habitation. However, the displaced Kosovo Serb homeowners have chosen not to return. Consequently, and despite increased Kosovo Police Service (KPS) patrols, some burglary of unoccupied houses has required minor extra repairs. The commission suggested that there should be no further repair unless people undertake to immediately return to live in their properties, since otherwise the unoccupied houses will remain vulnerable to the weather and other hazards and need repair all over again. By the same reasoning, the Kosovo Government is not proceeding with repair of the 24 remaining commercial claims.

5. **Priority 3.** Following the initial pilot project in the Prishtinë/Priština region, the Kosovo Property Agency has extended the rental scheme to all of the 5,247 residential properties currently under its administration. By 31 January, 1,402 property right holders had included their property into the scheme. Forty occupants are currently paying rent and an amount of €23,490 was collected. The first 12 evictions of occupiers who have declined to pay rent were also carried out in January, and the Agency initiated an outreach campaign to identify tenants for these properties.

6. **Priority 4.** Six hundred and seventy-two decisions made by the Housing and Property Directorate/Housing and Property Claims Commission remained to be implemented, down from 1,150 in November. Implementation should be complete by the end of March. Cooperation between the Kosovo Property Agency and the police remains satisfactory.

7. **Priority 5.** On 1 January, the competency to provide humanitarian train and bus services for minority communities, including the €2,675,000 budget, was transferred from UNMIK to the Ministry of Transport and Communications. Initial

monitoring shows that the minority community members continue to use and are generally satisfied with the humanitarian bus service.

8. **Priority 6.** The Government has allocated returns funding according to the agreement reached with UNMIK on 30 June 2006.

9. **Priority 7.** On 16 January, the Prime Minister, the Minister of Justice, the President of the Supreme Court and the Chief Prosecutor issued a joint statement calling for witnesses to the March riots to cooperate with the police, and publicized the various means available to the public for giving information to the police. Figures issued on 10 January by the Office of Judicial Administration of the Kosovo Judicial Council regarding March 2004 cases show that 326 criminal charges have by now been brought before local courts, excluding Minor Offences courts. These resulted in 200 indictments which in turn have brought 134 convictions. Twenty-nine cases remain under investigation. These figures represent very little change from the last report. International courts have indicted 31 defendants of whom 26 have been found guilty and 4 are on or awaiting trial; 13 new cases are in preparation. Work continues on a comprehensive database of March 2004 cases, within the specialized police unit created in 2006 to handle these cases. On 14 December, the police made a new arrest of a woman on charges of grievous assault and arson.

10. **Priority 8.** On 1 September, the Ministry of Public Services issued an administrative instruction defining rules and procedures of the central-level monitoring of the use of official languages. The Government also compiled the first CD-ROM containing all government decisions and regulations in the official languages, which was distributed to ministries and municipalities.

11. **Priority 9.** A special commission reviewed 31 applications for minority media fund grants; 11 media were selected and the grants were distributed on 11 July 2006.

12. **Priority 10.** All 17 new sub-municipal police stations agreed on 6 September 2006 by the Police Commissioner and the Minister of Internal Affairs have now been established, even the two in communities where the local population had initially indicated they were unwanted.

13. **Priority 11.** The Director of the Anti-Corruption Agency was appointed by the Assembly on 17 July.

14. **Priority 12.** The Independent Media Council was established on 28 August 2006 and now replaces the Temporary Media Commissioner. On 11 January, the Assembly of Kosovo appointed two candidates for the Media Appeals Board, thus completing the formal establishment of all bodies required for the functioning of the Independent Media Council.

15. **Priority 13.** The draft law to amend the Law on Public Procurement is with Assembly committees and awaits its second reading.

Functioning democratic institutions

16. Kosovo has 38 registered political parties. Three parties face possible suspension for failing to submit their twice-yearly financial reports. While the existing formula for distributing funds to political parties is equitable, the law on Political Party Financing, adopted by the Assembly, needs to be revised to regulate this distribution without being discriminatory to parties holding reserved seats.

17. The Government continues to hold in trust the salaries of the Kosovo Serbs who have left the payroll of the Provisional Institutions. A simplified procedure was introduced for their reinstatement after complaints about procedural delays at the municipal level. To date, 51 Kosovo Serbs have been reinstated and their salaries have been paid.

18. Civil service employs 68,460 with 40,191 in municipalities and 28,269 at the central level. Minority employees represent 11.2 per cent.

19. Despite an administrative instruction of the Ministry of Finance and the Economy on the implementation of fair-share financing issued on 10 August 2006, only 16 of the 27 reporting municipalities had prepared the Annual Plan for Minority Projects and Expenditure for the 2007 budget (as at 19 January). The Ministry of Finance and the Economy has threatened the non-compliant municipalities with sanctions. The third-quarter report on fair-share financing in 2006 shows that 20 of the 27 municipalities reached or exceeded their target, which was slightly better than the second quarter, in which 17 did. Zvečan/Zveçan has still not submitted any fair-share financing reports for 2006 despite receiving funds from the Kosovo consolidated budget.

20. The implementation of the Law on Languages commenced, albeit with a slight delay. In January, the Ministry of Local Government Administration issued an administrative instruction defining steps required to implement the Law, including the issuing of 10 subsidiary acts. An administrative instruction to determine the composition and competencies of the Language Commission is in preparation.

21. Municipal language service is provided by 28 municipalities, 23 municipalities have established language units and 5 have hired interpreters/translators. Zveçan/Zvečan and Gllogoc/Glogovac did not employ any interpreter/translator. Units or translators function well in 16 municipalities. All ministries and most municipalities now have simultaneous translation equipment, although in 10 municipalities it is either underutilized or not properly installed. Most municipalities are fully or partially language compliant in respect of road and street signs and municipal buildings.

Functioning democratic institutions: challenges ahead

22. The unwillingness of many Kosovo Serbs to cooperate with the Provisional Institutions remains a challenge and an obstacle to progress towards the integration of Kosovo Serb communities into mainstream society.

23. Compliance with the Law on Languages is important and necessary. While monitoring of language compliance has improved, enforcement needs to develop further. The Language Commission needs to be established.

24. The Agency for Gender Equality needs to continue implementing its long-term strategy to increase the number and improve the position of women in the Provisional Institutions, with a special emphasis on municipalities and implementation of its memorandum of understanding with the Ministry of Local Government Administration.

25. Efforts to avoid politicization of the civil service and local governance structures should be strengthened. In at least two municipalities the proper

functioning of the Municipal Assembly and other municipal bodies is affected by political divisions (Malishevë/Mališevo and Gjilan/Gnjilane).

26. The Office of the Official Gazette still lacks a systematic approach to the publication of laws and secondary legislation, as well as a database and index to make accessible the extensive existing body of laws.

Rule of law

27. The Administrative Direction required to implement the vetting process for reappointment of judges and prosecutors was promulgated at the end of 2006. A memorandum of understanding among the European Union, UNMIK and the United States Office Pristina and the related project document on funding and implementation of the vetting process is now finalized for signature. Meanwhile, UNMIK has continued the discussion with the Kosovo Judicial Council on the allocation of the budgeted 421 judicial and prosecutorial posts between various courts in Kosovo.

28. Transition of relevant competencies to the Ministry of Justice continues with the transfer of penal management and missing persons and forensics. Minority representation in the Ministry has dropped slightly, to 14.9 per cent from 15.16 per cent, in the last reporting period since new recruits have been mostly Albanian. Vacancy announcements should be advertised in the Serbian language printed media.

29. The Ministry of Internal Affairs is continuing to build capacity in order to deal with migration, repatriation, oversight of KPS, emergency preparedness and management. Minority representation is 9.4 per cent down from 10.97 per cent in the last reporting period since new recruits have been mostly the Albanians. Sixty-four remaining vacancies (out of 779 posts) are expected to be filled soon; 39.7 per cent of posts are occupied by women.

30. The civil court backlog increased from 2.46 per cent during the reporting period, to 47,105 cases. A strategy to reduce the backlog of property and other civil cases is in preparation and is expected to be finalized by the end of February. Possible remedies include reform of legislation, civil cases monitoring, reallocation of judges, improvement in delivery of court summons, solution to stayed property cases, and improvement in case management.

31. On 27 November, 12 persons were appointed to the Kosovo judiciary by the Special Representative of the Secretary-General. Five were from underrepresented communities. Non-Albanian representation is now 10.86 per cent for judges and 9.09 per cent for prosecutors. Women's representation is at 26.83 per cent for judges, and 20.45 per cent for prosecutors.

32. The establishment of the Kosovo Special Prosecutor's Office is on track. Three prosecutors were selected in January and are to be approved by the Kosovo Judicial Council and appointed by the Special Representative. If approved, the number of Kosovo Special Prosecutors will increase from one to four.

33. Inter-ethnic crime continues at a low level but cases continue to receive maximum exposure in the Serbian-language media. Following the shooting and subsequent death on 3 January of a KPS officer on the Prishtinë/Priština-Mitrovica highway near Babimovc/Babin Most, a predominantly Serb village, KPS officers

supported by UNMIK police carried out searches of 17 houses, which brought heavily publicized allegations from villagers that excessive force had been used. Investigations by the KPS Professional Standards Unit, closely monitored by senior officials of UNMIK police, have so far revealed no malpractice by the officers involved.

34. The Local Public Safety Committees have been established in 13 of the 17 communities originally planned. Efforts continue in the four communities that have not to date accepted the establishment of those committees.

35. KPS and the Kosovo Correctional Service (KCS) continue to be multi-ethnic, with 16 per cent minority staff (10.3 per cent Serb) in KPS and 14.35 per cent (10.65 per cent Serb) in KCS. Female officers make up 13.54 per cent of KPS and 12.27 per cent of KCS.

36. The Directorate of Planning and Development transitioned from UNMIK to KPS on 31 December.

37. The Anti-Corruption Agency is now functioning but has suffered a budgetary cut reducing its staff to 8 instead of the 35 approved by the Assembly. A two-week anti-corruption campaign was carried out in December publicizing a confidential hotline for citizens to report corruption cases. The Agency received 105 alleged cases of corruption. During 2006, 24 people were arrested and 1 person was convicted on corruption charges. An additional case of embezzlement was concluded on 24 January resulting in one two-year prison sentence and one suspended sentence. Investigation continues into the misappropriation of €236.500,00 allocated to buy an armoured car, paid for but never delivered, for the Office of the President of the Assembly of Kosovo (under the previous Assembly President). Three suspects have been arrested, including two Assembly officials.

Rule of law: challenges ahead

38. Further efforts are needed to protect witnesses from intimidation. Legislation on witness protection is awaiting finalization. The final assessment by the United States and the European Union on the Kosovo witness protection programme should be released in the next reporting period, paving the way for donor funding and financial support for any future Kosovo witness protection programme.

39. More work is still needed to increase the number of underrepresented communities among judges and prosecutors.

40. The implementation of the Case Management Information System is well behind schedule and requires additional efforts. Judges, prosecutors and court staff need to be encouraged to use the system.

41. The Government needs to ensure the full functioning of the Anti-Corruption Agency. All ministries should appoint vigilance officers. The Agency needs to start with the collection and investigation of property and assets declarations by Assembly members, ministers and senior staff from the ministries, the judiciary and the police. Ministries need to submit the lists of senior official persons.

42. The problems that hinder transfer of competencies for civil status registry functions from the Ministry of Public Services to the Minister of Internal Affairs need to be resolved as soon as possible. The fact that the Departments of

Registration Services and Civil Status continue to be under the operational control of two different ministries violates the regulatory and legal framework.

Freedom of movement

43. On 23 January, the humanitarian minority bus transported Kosovo Serbs from Rahovec/Orahovac to Zveçan/Zvečan and Graçanicë/Gračanica, with "KS" number plates and without United Nations emblems and escort for the first time in seven years.

44. The police continue to assess the security situation as stable but fragile. Regular surveys conducted by KPS consistently show that over 90 per cent of minorities travel outside their area of residence; and that their perception of freedom of movement remains good (92-98 per cent of those interviewed). In illustration, Serbs from Kosovo and Serbia travelled unescorted in private cars to Visoki Dečani monastery to celebrate Saint Stefan's Day on 24 November.

45. However, the mining of the railway line that runs from Fushë Kosovë/Kosovo Polje to Mitrovicë/Mitrovica, the stoning of a bus carrying Kosovo Serbs to Shtërpcë/Štrpce in December and a roadblock in November which detained a bus carrying Kosovo Serbs show that further progress is needed.

46. Escorts continue to be reduced. According to the latest police estimates, less than 1 per cent of minorities travelling in Kosovo now request escorts. Checkpoints are now rare in Kosovo.

47. Kosovo leaders generally continue to speak out against violence. Following an attack against a Serb resident in Klinë/Klina on 29 December, the President of the Municipal Assembly condemned the attack. While there was no public statement from the central government, the Prime Minister received a delegation of Kosovo Serb urban returnees from Klinë/Klina, accompanied by the Municipal Assembly President, and pledged to support their reintegration.

Freedom of movement: challenges ahead

48. The central government needs to take the lead in condemning violent crime wherever it occurs, building on their good record in recent years.

49. The Ministry of Transport and Communications needs to implement a consultative process to determine the selection of future humanitarian bus routes.

Sustainable returns and the rights of communities

50. On 27 November, the Minister of Communities and Returns, Slaviša Petković, resigned following many months of criticism from the international community. The Permanent Secretary, Branislav Grbić, was appointed Acting Minister and quickly established a more productive relationship with the international community, showing commitment to taking ownership of the returns process. He has initiated the long overdue restructuring of the Ministry, which will allow resumption of the postponed transfers of competencies from UNMIK to the ministry.

51. According to the Office of the United Nations High Commissioner for Refugees, 1,608 minorities (593 Serbs) returned voluntarily in 2006, the lowest minority returns figures since 2001 and the lowest Kosovo Serb returns figures since proper monitoring was established in 2000. The low figures are partly due to the

improper management of the budget of the Ministry of Communities and Returns in the previous years.

52. The current funding gap of €15,400,000 for 18 organized multisectoral returns projects remains the single most important obstacle to returns. An amount of €5,200,000 have been allocated in the 2007 budget for returns projects. The Ministry of Communities and Returns has indicated that it will focus on individual returns — a more cost-effective and economically viable approach to displacement.

53. During the reporting period, returns projects were completed in Siga/Sigë, Brestovik, and Ljevoša/Levosha (Pejë/Peć) and Babush i Serbëve/Srpski Babuš (Ferizaj/Uroševac) for 40 and 74 Kosovo Serb families, respectively. However, some of them postponed their return until spring. Another project for 27 families was completed in Klinafc/Klinavac thus making Klinë/Klina the first municipality in Kosovo to fully implement a returns project.

54. On two separate occasions, the municipalities of Kaçanik/Kačanik and Shtime/Štimlje have prevented internally displaced persons from participating in go-and-see-visits, alleging their involvement in war crimes.

55. The Belgrade authorities continue to cooperate with the municipal structures on some returns projects. The Llugë/Lugovo and Gjurakovc/Djurakovac (Istog/Istok) returns project is ongoing and the Prishtinë/Priština Planning, Urbanism and Construction Committee endorsed the allocation of land for the Novi Badovac II/Badoci i Ri II project.

56. Following the recruitment of nine staff of the Directorate of Border Management, Asylum and Migration of the Minister of Internal Affairs, the pace of the transfer of competencies in the field of repatriation should gather momentum.

Sustainable returns and the rights of communities: challenges ahead

57. The Ministry of Communities and Returns needs to continue restructuring with particular attention to implementing the recommendations of the audits performed in 2006, a necessary step to take full responsibility for its mandate, including the management of its budget.

58. With an estimated 90,000 Kosovans subject to deportation and return to Kosovo, the Government and UNMIK need to implement the joint plan to address their reintegration needs and implement the transfer of competences to the Provisional Institutions.

59. The central government needs to ensure that the municipalities comply with their obligations to promote the returns process, including the requirement to engage in dialogue with internally displaced persons.

Economy

60. Early indications suggest that spending on wages and salaries in 2006 was broadly in line with the 2006 budget mid-year review. However, total expenditures in 2006 were 10.1 per cent lower than budgeted, mostly because of underspending in capital projects. Some of these funds were carried forward to the 2007 budget, which was promulgated on 28 December, with authorized expenditure of €717,500,000.

61. Having boycotted the 2007 budget process since the summer of 2006, the northern municipalities of Zubin Potok, Zveçan/Zvecan and Leposavic/q are not eligible to receive the 2007 funds appropriated to them under UNMIK regulation 2006/61. The Ministry of Finance and the Economy is in contact with the municipalities and has offered to assist them in complying with the 2007 budget regulation, a mandatory requirement to access the budget grants.

62. The hiring freeze imposed by the Government in September 2006, in accordance with the recommendations of the International Monetary Fund (IMF), will continue in 2007. However, lack of progress on public service reform and headcount reduction will raise the budgeted wage bill by approximately 1.4 per cent in 2007. The Ministry deadline of 1 January 2007 for municipalities to downsize a defined percentage of their staff has not been fully complied with. In some municipalities (Viti/Vitina, Fushë Kosovë/Kosovo Polje, Istog/Istok, Lipjan/Lipljan and Ferizaj/Uroševac) the minority communities have been disproportionately affected and in Viti/Vitina 24 of 36 employees downsized were women.

63. The Statistical Office of Kosovo has been working to correct its full consumer-price series, which is currently being reviewed by IMF prior to publication. Once published they will constitute the basis for the Office to calculate and publish the long overdue 2005 Kosovo economic accounts. Lack of technical capacity remains the most important obstacle to the timely production of reliable statistics.

64. A survey of the 14 municipalities audited by the Office of the Auditor General has found inadequate implementation of audit recommendations.

65. The Tax Administration of Kosovo has prepared a strategic plan for 2007-2010 and a business plan for 2007. The Tax Administration has also established five thematic working groups in order to address issues raised by the European Union Fiscal Blueprints exercise and the IMF mission to Kosovo in October 2006.

66. The Board of the Kosovo Trust Agency met regularly, approving the launch of the twenty-first and twenty-second waves of privatization. By the end of December 2006, 393 new companies derived from the assets of 256 socially owned enterprises had been tendered for sale, 216 sales contracts were signed, and 85 contracts were still pending signature. The total privatization proceeds amounted to €267,784,767. The Board had approved a total of 76 liquidations with total proceeds amounting to €2,856,040; and 20 per cent of privatization proceeds are due to be paid out to the eligible former workers of the privatized enterprises. As at 31 December 2006, this amount stood at €53,556,953, of which €9,867,284 had already been paid to the Independent Union of Trade Unions of Kosovo, which disburses the funds to the workers.

67. By the end of January 2007, the senior management of all publicly owned enterprises had been transferred to Kosovans.

68. Customs revenue collection figures for 2006 are the highest to date at €459,500,000, a 12.5 per cent increase from 2005.

Economy: challenges ahead

69. Compliance with IMF recommendations remains a major medium- to long-term challenge in the face of upwards pressures on expenditure, including those potentially related to a status settlement. The potential implementation of a number

of social benefits laws would constitute a serious burden to the Kosovo budget and be in violation of the letter of intent signed with IMF in 2005.

70. Responsiveness to, and implementation of, auditors' recommendations needs to improve.

71. Cash collection remains a major problem for a number of public utilities, and an obstacle to their economic viability.

Property rights

72. The Law on Housing is still awaiting adoption by the Assembly. The draft Law on the Treatment of Illegal Constructions and the draft Law on the Transformation of Real Estate Possessors into Owners are under review by the Assembly. The Law on Real Rights, a priority for the Government, is under review by the Provisional Institutions and requires further consideration by legal experts prior to promulgation.

73. On 11 January, the draft Spatial Plan 2005-2015 for Kosovo passed the first reading in the Kosovo Assembly. The plan promotes sustainable social and economic development, respect for environment and diversity, and includes protection of special zones such as national parks and cultural heritage sites.

74. The Kosovo Property Agency has received 8,536 claims, mostly covering agricultural and commercial properties. The first decisions are expected in March.

75. A joint initiative of the United Nations Human Settlements Programme (UN-Habitat), the Organization for Security and Cooperation in Europe (OSCE) and the Provisional Institutions is setting the basis for a long overdue action plan on informal settlements in consultation with affected communities. A campaign has begun involving posters and leaflets to promote the right to adequate housing.

76. The reconstruction of the cadastre has started in 25 cadastral zones with the support of the World Bank.

Property rights: challenges ahead

77. Illegal construction remains a major problem. Municipal authorities appear unable or unwilling to implement the existing legal framework. Separate spatial plans for areas of cultural heritage and environmental value need to be drafted, approved and implemented.

78. Municipalities, in cooperation with ministries, must remedy previous irregular expropriations and ensure that ongoing public works comply with the law by providing effective safeguards and access to legal remedies.

Cultural heritage

79. The Law on Cultural Heritage was promulgated on 6 November. As required by the Law, the Ministry of Culture, Youth and Sports is currently working with the Assembly towards establishing the multi-ethnic Kosovo Council for Cultural Heritage.

80. Progress has been made on the inventory of cultural heritage. By the end of December 2006, a total of 2,847 objects have been entered in a central database. The

soon-to-be-established Kosovo Council for Cultural Heritage will have the final say on the classification of cultural heritage objects.

81. Reconstruction and restoration of cultural heritage sites by the Reconstruction Implementation Commission continue. The Commission held a meeting in January to agree on a workplan for 2007 which will include works on around 20 sites. An amount of €3,448,988 was allocated from the Kosovo consolidated budget to cover the works.

82. KPS reports a decreasing trend in the number of incidents, with 10 reported incidents against Serbian Orthodox churches during the period, of which seven were theft-related and three were minor acts of vandalism.

83. Security meetings between KPS and the Ministry of Culture, Youth and Sports focal points continue every two weeks and cooperation between them remains strong. Additional protection measures now include increased local patrolling by KPS at cultural heritage and religious sites, especially Orthodox sites under reconstruction. On average, more than 2,000 patrols across Kosovo are conducted by KPS every week.

Cultural heritage: challenges ahead

84. Fourteen subsidiary laws necessary for the implementation of the Law on Cultural Heritage should be drafted and passed within the timeframe allotted in the Law.

85. The Provisional Institutions should devise ways to ensure adequate protection of the cultural heritage sites, such as increased security measures, condemnation of acts against them, and issuing of positive reinforcement messages raising awareness of the value of cultural heritage.

Kosovo Protection Corps

86. Non-Albanian membership of KPC has decreased slightly in the reporting period and now stands at 213 (7 per cent), of whom 49 are Serbs (1.5 per cent). The decrease is mainly due to absenteeism and subsequent dismissal. Kosovo Serb officers remain subject to pressure from their own communities not to participate in KPC. No internal allegations of discrimination have arisen. Twenty-four vacancies remain reserved for non-Albanians. On 24 January, the KPC Commander signed into effect an action plan for 2007 for the recruitment, retention and support of ethnic minorities.

87. Women are represented at all levels of KPC though in comparatively small numbers (97 or 3.2 per cent in October 2006), and continue to occupy relatively more senior ranks in comparison with men.

88. Disciplinary compliance continues to improve, although further improvement in the staffing and investigation of disciplinary cases by KPC is still required.

89. The demining capacity of KPC has increased with the recruitment of 24 new deminers: KPC is on track to assume sole responsibility for all mine and unexploded ordnance clearance late in 2007. In 2006, by 15 December when the teams ceased demining activities for the winter season, KPC had located and destroyed a total of 1,962 mines and items of unexploded ordnance and cleared 781,237 square metres of land.

90. The capacity of the Civil Protection Brigade is increasing, with full operational capability expected to be endorsed soon in search and rescue, explosive ordnance disposal, firefighting and hazardous material protection.

91. A Technical Agreement on Cooperation on Civil Emergency Response between KPC, the Office of the KPC Coordinator and the Department of Emergency Management of the Ministry of Internal Affairs was signed on 22 December. The Parliamentary Security Committee held a public hearing for KPC on emergency management on 23 January.

Kosovo Protection Corps: challenges ahead

92. Despite positive recruitment policies, active engagement among Kosovo Serb communities, and no internal evidence of discrimination, KPC still has difficulty in attracting and retaining recruits from the Kosovo Serb community.

93. It is expected that a future Kosovo status settlement will also address KPC and its future. This may bring significant transformation, posing many challenges for KPC and its leaders. This is particularly the case with rationalizing numbers, equipment and infrastructure, all of which will have a resource cost. KPC will require significant donor and other support to meet a challenge of this nature.

94. Donor support is still needed for KPC humanitarian projects. Much of the equipment KPC possesses is obsolescent. New heavy equipment (such as graders and heavy trucks) would improve capacity.

Annex II

Composition and strength of the police component of the United Nations Interim Administration Mission in Kosovo (as at 19 February 2007)

Country	*Number*	*Country*	*Number*
Argentina	10	Nepal	17
Austria	28	Netherlands	1
Bangladesh	29	Nigeria	26
Brazil	2	Norway	18
Bulgaria	53	Pakistan	151
China	18	Philippines	44
Croatia	9	Poland	122
Czech Republic	16	Portugal	7
Denmark	24	Romania	182
Egypt	16	Russian Federation	42
Finland	2	Slovenia	15
France	51	Spain	13
Germany	164	Sweden	34
Ghana	35	Switzerland	6
Greece	10	Timor-Leste	9
Hungary	14	Turkey	141
India	71	Uganda	4
Italy	28	Ukraine	189
Jordan	38	United Kingdom of Great Britain and Northern Ireland	65
Kenya	15	United States of America	221
Kyrgyzstan	6	Zambia	9
Lithuania	6	Zimbabwe	18
Malawi	5		
Total			**1 984**

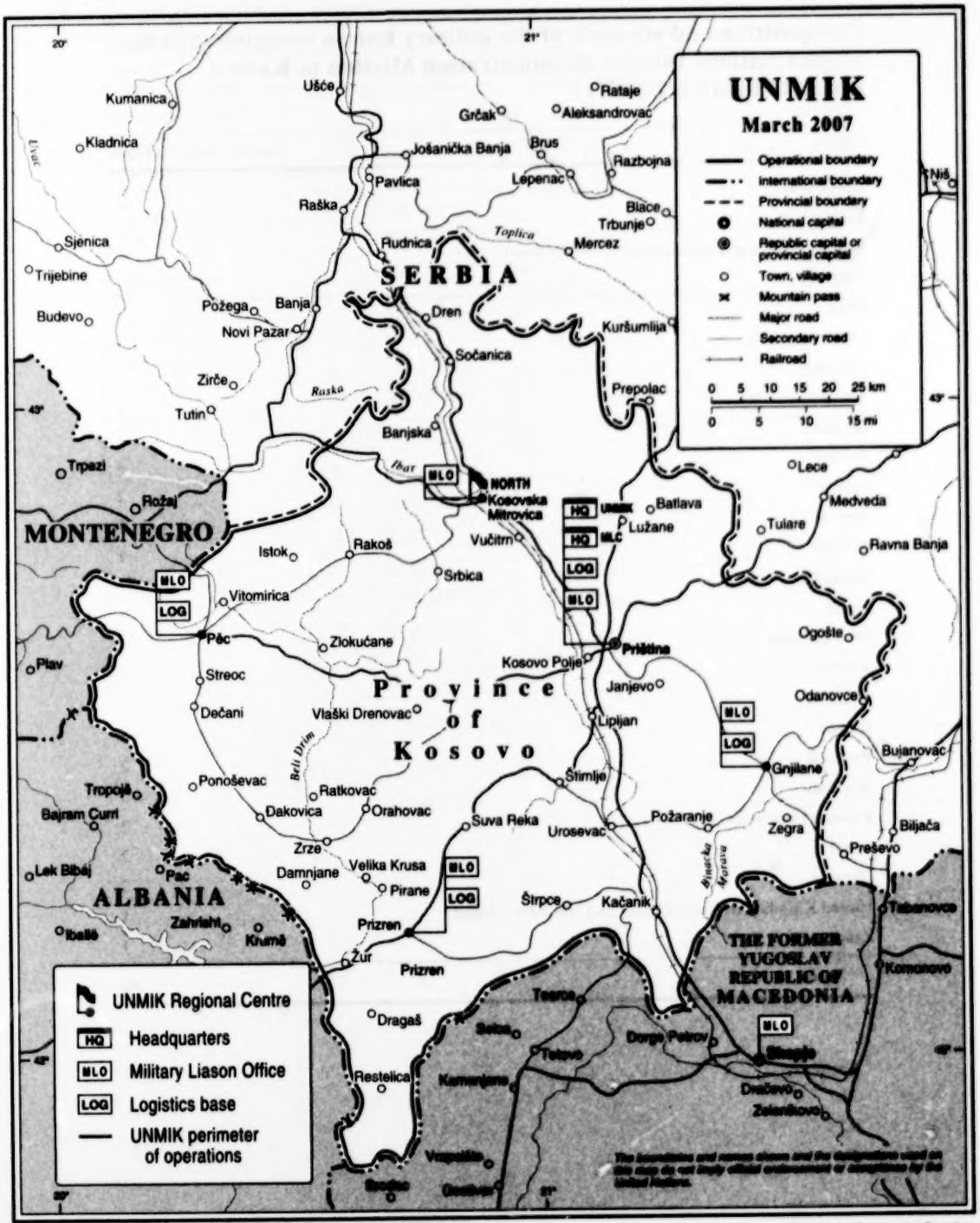
Composition of the Kosovo Police Service (as at 19 February 2007)

Category	*Percentage*	*Number*
Kosovo Albanians	83.99	6 060
Kosovo Serbs	10.31	744
Other ethnic minority members	5.70	411
Total		**7 215**
Men	86.44	6 237
Women	13.56	978

Annex III

Composition and strength of the military liaison component of the United Nations Interim Administration Mission in Kosovo (as at 19 February 2007)

Country	*Number of liaison officers*
Argentina	1
Bangladesh	1
Bolivia (awaiting a replacement liaison officer)	—
Bulgaria	1
Chile	1
Czech Republic	1
Denmark	1
Finland	2
Hungary	1
Ireland	4
Jordan	2
Kenya	1
Malawi	1
Malaysia	1
Nepal	1
New Zealand	1
Norway	1
Pakistan	1
Poland	1
Portugal	2
Romania	3
Russian Federation	2
Spain	2
Ukraine	2
United Kingdom of Great Britain and Northern Ireland	1
Zambia	1
Total	**36**



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